

Date: May 3, 2016

To: Thomas J. Bonfield, City Manager

Through: Wanda S. Page, Deputy City Manager

From: Regina Youngblood, Director of Human Resources
Alethea Hardy, Compensation and Classification Manager

Subject: FY 2016-17 Compensation and Classification Plan Recommendations

Executive Summary

The City of Durham strives to provide fair, equitable and competitive compensation in its efforts to attract, retain, develop and reward our employee workforce. These efforts support the Innovative and High Performing Organization City goal. This agenda item recommends changes to the City of Durham's Compensation and Classification Plan to include pay grade assignment changes, classification title changes, additions and deletions along with pay structure adjustments to the Exempt and Senior Management Pay Plans in support of this ongoing initiative.

The City of Durham's Exempt and Senior Management pay plan structures have been reviewed to determine if rate adjustments to the salary structure control points (minimums, midpoints, and maximums) are necessary based on current market indicators. Further, one additional pay grade, 116, is recommended for the Exempt Pay Plan Structure to support a recommended pay grade classification assignment. Structure adjustments of 3% are recommended for the Exempt and Senior Management Pay Plan Structures to be effective January 1, 2017. These pay structures adjustments will not immediately affect actual salaries unless an employee's current salary falls below the new minimum of the adjusted pay grade.

Recommendation

As a result of the annual market survey and position study process, the administration recommends the attached classification title and pay grade assignment changes be approved and adopted into the City of Durham's Compensation and Classification Plan (Attachment 1 – FY2016-2017 Classification and Compensation Plan Recommendations). The recommended changes to the Compensation and Classification Plan provide employees being reclassified with a five percent (5.0%) salary increase or pay at the new pay grade minimum, whichever amount is greater. Those employees whose job duties have not changed, but the job is being assigned to a higher pay grade will receive a three percent (3.0%) salary increase or pay at the new pay grade minimum, whichever amount is greater.

All classification and pay grade assignment changes will be effective July 9, 2016 for all affected employees. The July 9, 2016 effective date marks the beginning of the first full pay

period in the fiscal year. Implementation of this recommendation will affect the July 22, 2016 paycheck for employees receiving a salary adjustment resulting from the market adjustment and reclassification processes. Classification and pay grade assignment changes will be processed after July 1, 2016 pay-for-performance increases have been implemented.

The administration recommends a 3% pay structure adjustment to the Exempt and Senior Management Pay Structures. Further discussion is currently occurring regarding the structure of the Non-Exempt Pay Plan. Attachment 2, FY2016-2017 Structure Adjustment Recommendation, illustrates the current pay structures and recommended adjustments to be effective January 1, 2017. Adjustments to the control points of the Exempt and Senior Management Salary Structures are necessary to maintain the City of Durham's market competitiveness.

Background

To maintain the City's market-based pay plan and remain competitive with changing market rates, the Human Resources Department conducted the annual market salary study during November through January of 2016. Departments were also able to submit requests to study specific classifications and positions. The study surveyed comparable benchmark municipalities within the Southeastern region. The recommended compensation and classification changes are based on data collected through this market survey on comparable jobs, compa-ratio computations, and internal equity considerations. The compa-ratio is a determination of the percentage difference between the City of Durham's midpoint salary for a job and the average of the actual salaries being paid in our market for comparable jobs. The City's compensation philosophy is to maintain the City's midpoint salary within 90-100% of the market's average salary. Recommended changes resulting from these studies are included in this agenda item (Attachment 1 – FY2016-2017 Classification and Compensation Plan Recommendations).

On January 1, 2016, the City of Durham implemented its second pay structure adjustment since 2008, adjusting the Non-Exempt, Exempt and Senior Management Pay Structures by 2.5%. Human Resources recommends continuing the strategy of regaining market competitiveness that was initiated with these pay plan adjustments by applying a 3% structure adjustment to the Exempt and Senior Management Pay Plan Structures effective January 1, 2017 (Attachment 2 – FY2016-2017 Structure Adjustment Recommendations).

These recommendations, including the classification and pay grade changes and the salary structure adjustments for the Exempt and Senior Management Pay Plans, will facilitate the City's regaining a more competitive position in our salary market.

Issues and Analysis

The compensation and classification recommendations in this agenda item are based on the data collected and analyzed from the annual market salary survey, as well as the information gathered through conducting the department-requested position studies. The annual classification study included 67 position studies, along with a market survey of 96 job classifications.

Alternatives

No alternatives recommended.

Financial Impact

The total financial impact of the FY2016-17 recommended compensation and classification changes is approximately \$173,149. This total includes the costs associated with market adjustments and reclassifications.

The total financial impact of market adjustments is \$63,715 (General Fund - \$43,113, Solid Waste Fund - \$9,807, and Storm Water Fund - \$10,795). The total financial impact of reclassifications is \$109,434 (General Fund - \$79,794, Water and Sewer Fund-\$9,976, Storm Water Fund - \$15,874, and Parking Fund - \$3,790).

There is no financial impact for the Exempt and Senior Management Pay Structure adjustments for January 2017 because no full time employee will require adjustment since pay for performance increases will adjust their salary to be at least equal to the new minimum pay rate for their job.

SBDE Summary

There are no SBDE requirements.

Attachments

Attachment 1 – FY2016-2017 Classification and Compensation Plan Recommendations

Attachment 2 – FY2016-2017 Structure Adjustment Recommendations